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SELECTIVE AGRICULTURAL EMBARGOES ACT OF 1998

HEARING

BEFORE THE

SUBCOMMITTEE ON DEPARTMENT OPERATIONS,
NUTRITION, AND FOREIGN AGRICULTURE

OF THE

COMMITTEE ON AGRICULTURE
HOUSE OF REPRESENTATIVES

ONE HUNDRED FIFTH CONGRESS

SECOND SESSION

ON

H.R. 3654

JUNE 3, 1998

Serial No. 105-51



Printed for the use of the Committee on Agriculture

U.S. GOVERNMENT PRINTING OFFICE

49-139 CC

WASHINGTON : 1998

For sale by the U.S. Government Printing Office
Superintendent of Documents, Congressional Sales Office, Washington, DC 20402

ISBN 0-16-057099-9

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SELECTIVE AGRICULTURAL EMBARGOES ACT OF 1998

WEDNESDAY, JUNE 3, 1998,

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON DEPARTMENTAL OPERATIONS,
NUTRITION, AND FOREIGN AGRICULTURE,
COMMITTEE ON AGRICULTURE,
Washington, DC

The subcommittee met, pursuant to notice, at 2:10 p.m., in room 1300, Longworth House Office Building, Hon. Thomas W. Ewing (acting chairman of the subcommittee) presiding.

Present: Representatives Goodlatte, Lucas, Clayton, Berry, and Minge.

Also present: Representative Moran.

Staff Present: Kevin Kramp, subcommittee staff director; Gregory Zerzan, associate counsel; Wanda Worsham, clerk; and Andrew Baker, minority associate counsel.

OPENING STATEMENT OF HON. THOMAS W. EWING, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS.

Mr. EWING. The hearing of the Subcommittee on Department Operations, Nutrition, and Foreign Agriculture, to consider H.R. 3654, the Selective Agricultural Embargoes Act of 1998, shall come to order.

We are expecting momentarily the chairman, Bob Goodlatte. I am the vice chairman, Tom Ewing. And, of course, we have Eva Clayton here, the ranking minority member.

Let me open by telling you that I appreciate your being here today. The subject of today's hearing is the Selective Agricultural Embargo Act of 1998. This legislation, which Mr. Condit and I introduced, would require the approval of the House and Senate, should the President decide to impose an agricultural specific embargo on a foreign country. This bill would apply to future embargoes and would not, in fact, affect the embargoes currently in place.

Now, the Founding Fathers placed responsibility for foreign policy in the hands of the executive branch. The responsibility of international trade and commerce was placed in the hands of Congress. As foreign policy and international trade become more and more intertwined, the Congress must play a more proactive role.

Agriculture is perhaps America's most competitive export sector. Nearly 40 percent of all agricultural production is exported. This competitiveness has led the American farmer to depend on foreign markets more than their counterparts in other sectors of the U.S. economy. While U.S. agriculture exports have soared to record lev-

els, this has led farmers to have expectations that these markets will continue to be accessible. In order to become reliable suppliers of food and fiber to the world, U.S. farmers need to be able to reliably gauge market access around the world. Economic embargoes are disruptive and have a depressing effect on prices.

In addition, with the passage of the Freedom to Farm Act, our farmers are becoming increasingly reliant on foreign markets for an increasingly significant portion of their income. With the proliferation of economic sanctions and economic embargoes, it is the American farmer that is bearing a disproportionate share of the burden of U.S. foreign policy decisions. Our national security is, and should be, our top foreign policy priority. However, it is important that all Americans share in the cost and benefits of foreign policy decisions. Agriculture should not be singled-out.

The Soviet grain embargo remains a stark example of how foreign policy decisions can have disastrous economic consequences at home. Every farmer in my district remembers the hardships and the financial loss that the Soviet grain embargo triggered in rural America.

The bottom line is this: It is the constitutional mandate of the Congress to regulate international commerce, and if U.S. foreign policy decisions have a significant impact on farm incomes and the quality of life in rural America, Congress should have input into the decisionmaking process.

At this point in the record, I would submit a copy of the H.R. 3654, as well as opening statements of members.

[The material follows:]

105TH CONGRESS
2D SESSION

H. R. 3654

To amend the Agricultural Trade Act of 1978 to require the President to report to Congress on any selective embargo on agricultural commodities, to provide a termination date for the embargo, to provide greater assurances for contract sanctity, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

APRIL 1, 1998

Mr. EWING (for himself and Mr. CONDIT, Mr. SHIMKUS, Mr. WATTS of Oklahoma, Mr. BEREUTER, Mr. LAHOOD, Mr. MINGE, Mr. MANZULLO, Mr. MORAN of Kansas and Mr. KOLBE) introduced the following bill; which was referred to the Committee on Agriculture

A BILL

To amend the Agricultural Trade Act of 1978 to require the President to report to Congress on any selective embargo on agricultural commodities, to provide a termination date for the embargo, to provide greater assurances for contract sanctity, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the "Selective Agricultural
5 Embargoes Act of 1998".

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1 **SEC. 2. REPORTING ON SELECTIVE EMBARGOES.**

2 The Agricultural Trade Act of 1978 (7 U.S.C. 5711
3 et seq.) is amended by adding at the end of title VI:

4 **"SEC. 604. REPORTING ON SELECTIVE EMBARGOES.**

5 "(a) REPORT.—If the President takes any action,
6 pursuant to statutory authority, to embargo the export
7 under an export sales contract (as defined in subsection
8 (f)) of an agricultural commodity to a country that is not
9 part of an embargo on all exports to the country, not later
10 than 5 days after imposing the embargo, the President
11 shall submit a report to Congress that sets forth in detail
12 the reasons for the embargo and specifies the proposed
13 period during which the embargo will be effective.

14 "(b) APPROVAL OF EMBARGO.—If a joint resolution
15 approving the embargo becomes law during the 100-day
16 period beginning on the date of receipt of the report pro-
17 vided for in subsection (a), the embargo shall terminate
18 on the earlier of—

19 "(1) a date determined by the President; or

20 "(2) the date that is 1 year after the date of
21 enactment of the joint resolution approving the em-
22 bargo.

23 "(c) DISAPPROVAL OF EMBARGO.—If a joint resolu-
24 tion disapproving the embargo becomes law during the
25 100-day period referred to in subsection (b), the embargo
26 shall terminate on the expiration of the 100-day period.

1 “(d) EXCEPTION.—Notwithstanding any other provi-
2 sion of this section, an embargo may take effect and con-
3 tinue in effect during any period in which the United
4 States is in a state of war declared by Congress or na-
5 tional emergency, requiring such action, declared by the
6 President.

7 “(e) DEFINITIONS.—As used in this section—

8 “(1) the term ‘agricultural commodity’ includes
9 plant nutrient materials;

10 “(2) the term ‘under an export sales contract’
11 means under an export sales contract entered into
12 before the President has transmitted to Congress no-
13 tice of the proposed embargo; and

14 “(3) the term ‘embargo’ includes any prohibi-
15 tion or curtailment.”.

16 **SEC. 3. EXPORT REPORTING AND CONTRACT SANCTITY.**

17 Section 602(a)(1) of the Agricultural Trade Act of
18 1978 (7 U.S.C. 5712(a)(1)) is amended by inserting
19 “plant nutrient materials,” after “cotton and products
20 thereof,”.

STATEMENT OF HON. BOB GOODLATTE

The purpose of this hearing is to receive testimony and written statements concerning H.R. 3654, the Selective Agriculture Embargoes Act of 1998 introduced by Congressman Tom Ewing, a member of this Subcommittee. It comes as no surprise that Congressman Ewing is once again championing American agriculture in the global marketplace.

In 1996 we drastically reformed agriculture policy. We allowed our farmers and ranchers to produce for the market instead of the government. We've known for a long time that our producers are the most efficient in the world and, given a level playing field, can compete with anyone.

Domestic demand doesn't come close to exhausting American grown food and fiber supplies. Our farmers depend on free and fair trade to assure markets for their products. In fact, U.S. agriculture has doubled its dependency on the global marketplace for price stability and therefore a greater share of its income. Exports are a key component of American family farm income.

The four specific agriculture embargoes this country has imposed had, to say the least, adverse impacts on rural America. Those affects aren't temporary. Because of political decisions, entire markets have been lost to our farmers and ranchers. They simply are no longer considered a reliable supplier by their foreign customer. Once the market share is lost it is very difficult, if not impossible, to regain.

I strongly support this committee's role in establishing long-term confidence in our producers ability to answer the demand of the global marketplace. I believe that Congressman Ewing's H.R. 3654, a bill to require the President to report to Congress on any selective embargo on agricultural commodities would provide greater assurances for private international agriculture contract security.

I look forward to hearing the witnesses testimony today. We have assembled uniquely qualified witnesses that will provide insight into the need for the Selective Agriculture Embargoes Act of 1998.

STATEMENT OF HON. CHARLES W. STENHOLM

The Selective Agricultural Embargoes Act raises important issues for U.S. agriculture. When Congress passed Freedom to Farm, it promised to open foreign markets for agricultural products. So far we don't have fast track, and we don't have a vote scheduled for the International Monetary Fund.

The critical issue raised by the bill before us today is that of credibility. A basic premise of our negotiating position on agriculture has been our reliability as a supplier of food. If we can't continue to promise that to our customers, how can we ask them to stop protecting their own farmers with high tariffs and subsidies?

As Lon Hatamiya points out in his testimony today, we already have provisions in the law that provide some measure of compensation for producers who are adversely affected by agricultural embargoes. Clearly, these measures have not been sufficient to prevent significant losses to farmers and ranchers in the form of lost opportunities cited by Mr. Warfield in his testimony.

I understand that there are ongoing efforts at USDA to develop a more deliberative process for policymaking on sanctions. As you move forward in those efforts, I encourage you to keep in mind the issue of credibility in international negotiations. That credibility will be essential, assuming that Congress will give the President the fast track authority needed by the United States to participate in those negotiations.

Mr. EWING. Mrs. Clayton, do you have a statement?

OPENING STATEMENT OF HON. EVA CLAYTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NORTH CAROLINA

Mrs. CLAYTON. I do. Thank you, Mr. Ewing. Thank you for introducing this legislation although I'm not a co-sponsor. It certainly seems like legislation that is worthy of consideration by this committee as well as Congress.

American farmers are so productive and so efficient that the American market cannot possibly consume all that our farmers' produce. Our farmers depend more and more on foreign markets for a significant portion of their income, and this is as we want it.

We passed the Freedom to Farm Act to assure that we would have open foreign markets for agriculture products. We market ourselves as reliable food suppliers, and indeed, we use this as a premise when we negotiate with foreign governments. If we cannot continue to be reliable suppliers, can we really expect other countries not to implement subsidies and tariffs to protect their farmers in return?

Agriculture products are not good political tools. Sanctions hurt those already victimized in foreign countries, and they hurt our farmers as well. We should encourage the USDA for their ongoing effort to develop a more deliberative process for policymaking on sanctions.

And, Mr. Chairman, I look forward to the witnesses testimony.

Mr. EWING. Thank you, Mrs. Clayton.

Mr. Minge.

OPENING STATEMENT OF HON. DAVID MINGE, A REPRESENTATIVE IN CONGRESS FOR THE STATE OF MINNESOTA

Mr. MINGE. I'd like to thank the chairman of the subcommittee and the vice chairman for sponsoring this hearing.

I know that many of us are co-sponsors of this legislation on both sides of the aisle. We all are concerned that our strongest export sector, agriculture, not be used as a weapon to advance an international policy goal that victimizes agriculture. This ought to be obvious to all concerned, but I think at times in the past agriculture has been disadvantaged.

Also, I am concerned that we not use our export and trade policies to try to advance more elusive goals. We constantly have legislation which seeks to create embargoes and penalties on other parts of the world. I think that we have to proceed carefully, and make sure that what we're attempting to do, to advance our policy, is not completely undermining what is being done by countries that we normally think about as our allies and friends who simply go in and fill the market and displace U.S. products.

This does not do anything to advance our overall goals and agenda in terms of international policy and it is destructive with respect to our own economy.

Thank you.

Mr. EWING. Thank you.

Now, our first panel will consist of Mr. Lon Hatamiya, who is the Administrator of Foreign Agricultural Service at the USDA. Welcome. You may proceed.

STATEMENT OF LON HATAMIYA, ADMINISTRATOR, FOREIGN AGRICULTURAL SERVICE, U.S. DEPARTMENT OF AGRICULTURE

Mr. HATAMIYA. Thank you very much. Mr. Chairman and members of the subcommittee, I am pleased to come before you today to discuss H.R. 3654, the Selective Agricultural Embargoes Act of 1998.

While we continue to review the specifics of the legislation, the Clinton administration supports the goals of sanctions reform legislation that encourages sanctions policymaking be conducted in a deliberative manner, taking into account all considerations. In the

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case of agriculture, there are already existing provisions of law that address embargoes affecting agricultural exports.

For example, the 1996 farm bill requires the Secretary, in instances when the President or any other member of the executive branch unilaterally suspends exports for national security or foreign policy reasons, to compensate producers of affected agricultural commodities and to promote exports of those products to developing countries. In addition, section 208 of the Agriculture Trade Suspension Adjustment Act of 1980 provides that if an export embargo of an agricultural commodity results in a surplus, the Secretary has the authority to establish a gasohol feedstock reserve or a food security reserve, or both.

The U.S. Department of Agriculture supports the intent of legislation such as H.R. 3654, which recognizes the particular vulnerability of agricultural commodities when sanctions are imposed. We agree with the premise of H.R. 3654 that it would generally be inappropriate for agricultural commodities to be singled out as the subject of an embargo.

Again, although the administration is still reviewing the bill, and we will provide the committee with the administration's position on this bill as soon as possible, we do have a specific concern with section 3. This provision would impose an additional fiscal burden on the Department by requiring the collection, assembly, and publication of export sales data on "plant nutrient materials" on a weekly basis. It is difficult to project the number of staff hours required and the associated costs without a description of what is included under plant nutrient materials. The costs will depend upon the number of commodities included and the number of active exporters of those products.

Mr. Chairman, that concludes my testimony. I would be happy to answer any of your questions.

[The statement of Mr. Hatamiya appears at the conclusion of the hearing.]

Mr. EWING. Thank you very much.

I'd like to review a little more slowly the provisions which you believe are currently in the law which protect farmers. Would you repeat those?

Mr. HATAMIYA. Yes. They are, again, in the 1996 farm bill, and I could pull that out for you. Let me refer first to section 208 of the Agricultural Trade Suspension Adjustment Act of 1980. That provides that if an export embargo of an agricultural commodity results in a surplus, the Secretary has the authority to establish a gasohol feedstock reserve or a food security reserve, or both.

And I have copies of that legislation here, if I can share that with you.

Mr. EWING. How much of an impact would that have on a general agricultural embargo? I mean, what would that do for the pork producers?

Mr. HATAMIYA. I'm not certain that applies directly to the pork producers.

Mr. EWING. Well, I don't think it does. That's my question.

Mr. HATAMIYA. That's exactly right. It applies to more of the grains and bulk commodities that are shipped.

Mr. EWING. But it wouldn't really apply to fruits, vegetables, to many of the things that we do ship overseas. Is that correct?

Mr. HATAMIYA. That's right.

Mr. EWING. So it is, at best, only a partial safety valve?

Mr. HATAMIYA. That's correct, and that's why I just mentioned those two as potential ways that the Secretary has at his hands today to address some of these embargo issues.

Mr. EWING. I understand that. My opinion is that those are rather weak tools for the Secretary in a situation where export markets are the real safety net for American agriculture. You didn't give us a little more rundown on the first one you mentioned, the 1996 farm bill. What was the provision in there?

Mr. HATAMIYA. It's under section 417, Public Law 104-127. It talks about partial year embargoes and short supply embargoes and it gives, if the Secretary makes funds available under section (b)(2), regardless of whether an embargo is in effect for only part of the fiscal year, the Secretary can use funds available to compensate farmers for the effect of that embargo.

Mr. EWING. Do we know how that would be administered or how that would be figured out? Let's say we put a feed grain embargo on and prices fell by 50 cents; is the Secretary going to come in and pick up that 50 cents for us?

Mr. HATAMIYA. There are specific regulations that apply and certain things occur before it's implemented. But it's not commodity-specific. So, that's broader in its application. Your example you mentioned, again, I can't answer that specifically because I think it's a case-by-case situation. I could provide that answer for you about the specific example.

Mr. EWING. I believe, at least in this member's opinion, it's obvious that the provisions of the law currently give the Secretary very little that he can do to protect American agriculture. I'm very pleased to hear that you are continuing to examine this bill and consider some other legislative changes that might enhance the Secretary's power and help protect agriculture. Is that the gist of your testimony here?

Mr. HATAMIYA. We are continuing to review the provisions of this bill. Again, any opportunity that it provides the Secretary to provide the kind of tools necessary to address the issues we are discussing today are certainly ones to be considered.

Mr. EWING. Fine.

Mrs. Clayton.

Mrs. CLAYTON. Your position is that the administration generally supports the intent and the goals of the legislation, right?

Mr. HATAMIYA. That's right.

Mrs. CLAYTON. So, you're including the provisions that the Secretary now has is not to suggest that this bill is not needed but to suggest that there are some provisions, though not sufficient, to address all the issues one may have. And I'm delighted that this hearing gave pork because, since North Carolina is the biggest pork eaters, he set me up, you know, and for you to do that. [Laughter].

So you would acknowledge that it is not sufficient to carry the burden for all agriculture commodities, right?

Mr. HATAMIYA. That's correct. And although, again, the authority given under the farm bill is much broader in its application, we have yet to utilize that, but it should apply to other commodities.

Mrs. CLAYTON. It is said that one of the reasons Japan and other countries are cited for the protection as agriculture policy that they have, to maintain a domestic supply of food for security reasons, meaning that they are giving that as a reason. Then how does a restriction on agricultural exports affect our reputation as a reliable supplier? Using Japan as an example.

Mr. HATAMIYA. Well, I'm not certain Japan is the right country to use since we don't apply these sanctions to Japan in terms of our exports—actually, we're trying to get more exports into Japan—of any countries, I think to answer that generally—

Mrs. CLAYTON. I was saying, by the way, I think Japan buys more of our pork than any other country, but I think the issue, though, as set up is that Japan uses that as an excuse of setting protectorate policies for themselves, to ensure that they have a dependable supply of food that's used as a rationale of putting tariffs or protective issues that may prevent some of our food now that we have an embargo with them. But, this sets up the premise that they can't depend on our reliability of our food if we have the protection.

Mr. HATAMIYA. Mrs. Clayton, let me answer that very specifically. Economic sanctions are based upon certain principles. They are placed upon countries that use an enforcement against, if they are not withstanding international norms, as well as protecting our national interests. And if countries remain within international norms, these sanctions would not be applied.

I would answer that question by the fact that we are a constant, reliable, and certainly, an important supplier of agricultural commodities to many countries, including Japan, which is our No. 1 export market. And if they stay within the international norms and meet those needs, there is no danger of these sanctions being applied. If you take a look at the history of sanctions, they're only applied in a very select and focused way. So, we can answer that question very plainly that the United States will continue to be a reliable and strong supplier of agricultural commodities to those countries that follow international norms.

Mrs. CLAYTON. I'm under the impression that there is an ongoing effort to look at decisionmaking around sanctions in the Department of Agriculture. Could you elaborate on what is going on?

Mr. HATAMIYA. If you're speaking particularly to the recent occurrences in India and Pakistan, we are—and let me paraphrase Under Secretary of State, Stu Eisenstat, who testified, I believe, earlier today to the International Relations Committee here in the House. He mentioned that the mandatory sanctions that have been placed upon India and Pakistan were put in place mandatorily through statute. But, it's the first time we've used that. So we're really on uncharted ground. And the implications upon agricultural exports is still unclear. And through an interagency effort, we're trying to determine the impacts upon agricultural export programs and exports into those countries that have mandatory sanctions.

I can say that the P.L. 480 title I program we oversee through other legislation is exempt from those sanctions.

Mrs. CLAYTON. OK. Mr. Chairman, that's all I have.

Mr. EWING. Thank you.

Mr. Lucas.

Mr. LUCAS. Thank you, Mr. Chairman, and thank you to Mr. Condit for authoring and filing this piece of legislation. I don't know that I have any questions of our witness. I was pleased to hear his comments that the administration appears to reflect positively upon the piece of legislation, and I hope that you will move forward. And I await with great anticipation to hear our next panel describe the impacts of these sort of circumstances.

Mr. EWING. Thank you.

Mr. Minge.

Mr. MINGE. I join with Mr. Lucas in thanking the witness for being here this morning and I, too, look forward to the next panel's comments. Thank you.

Mr. EWING. Thank you.

Mr. Moran.

Mr. MORAN. Thank you, Mr. Chairman. I'm an intruder in this subcommittee, one of the few I'm not on in the committee, but I'm very interested in this topic and I co-sponsor this bill and I'm anxious to hear what others have to say. So, I appreciate the opportunity of joining the subcommittee today. Thank you.

Mr. EWING. Thank you.

Mr. Berry.

Mr. BERRY. No questions, Mr. Chairman. Thank you.

Mr. EWING. Thank you. Just a couple more clarifications. First, I want you and the administration to understand that we have heard their concerns about section 3 and we are willing to work with the administration to try and make that just as clear as possible, and work out any problems we might have with that section of the bill.

Do you know if there have ever been any studies done on the impact of embargoes in the past?

Mr. HATAMIYA. I'm informed, Mr. Ewing, that there have been a range of studies, including one done by GAO, and by the Congressional Research Service. We'd be glad to pull those together and provide that for your record.

Mr. EWING. I think would be very helpful to have that because you make the point very that we don't normally have embargoes on people or countries who are living within what we consider to be the norm. But, we have some very, very large customers who may live on the fringe and it's those customers that we worry about particularly—and you understand that this bill is only agricultural-specific. If it is an across-the-board embargo, this bill has no impact. It's just that we don't believe agriculture should carry the burden of that type of foreign policy.

Mr. HATAMIYA. Mr. Ewing, I was remiss in not mentioning this upfront, but I do want to thank you for your participation in the WTO ministerials 2 weeks ago in Geneva. I think it's because of that effort, the effort of the President, the effort of Secretary Glickman, and others, that agriculture's as a forefront. If we are to engage in a discussion to open up markets for our products, it hap-

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pens in those venues and to continue to press ahead with open markets. And as we discuss the issue of sanctions and embargoes, I think, again, the best way to address that is to ensure that those don't occur and that we have open markets no matter where we are in the world.

Mr. EWING. Thank you very much. And thank you for your participation here today.

Mr. HATAMIYA. Thank you very much.

Mr. EWING. The second panel will be Mr. Scott P. Shearer, director of national relations for Farmland Industries; Mr. Ron R. Warfield, president of the Illinois Farm Bureau and a constituent of mine from Ford County, IL, and Mr. Daniel G. Amstutz, president and CEO of the North American Export Grain Association, Inc.

We're going to start with you, Mr. Shearer. Welcome, thank you for coming.

STATEMENT OF P. SCOTT SHEARER, DIRECTOR, NATIONAL RELATIONS, FARMLAND INDUSTRIES, INC.

Mr. SHEARER. Thank you very much, Mr. Chairman and members of the subcommittee.

I'm Scott Shearer, director of national relations for Farmland Industries. Farmland is the largest farmer-owned cooperative in North America, representing half a million farmer owners. I appreciate the opportunity to testify before the subcommittee on the subject of agriculture trade and in support of H.R. 3654, the Selective Agricultural Embargo Act of 1998.

Free and open global trade is of vital importance to U.S. producers, agribusiness, and our Nation's growing economy. Over the past several decades, the American economy has become increasingly dependent on international trade. In 1950, international trade represented only 8 percent of the U.S. economy. Since then, the importance of trade to the U.S. economy has tripled. Since 1992, exports have accounted for more than one-third of U.S. economic growth. By comparison, in 1970, exports accounted for only 5 percent of our GDP; by last year, the share had more than doubled to 13 percent.

America's farmers and ranchers produce food and fiber to feed the world. And the world buys our agricultural products more often than, and in greater quantities than, cars, computer chips, apparel, and airplanes. It is important to remember that U.S. exports are growing three times faster than domestic demand for food, and that more than 95 percent of our current and potential consumers live outside our borders.

Trade and U.S. agriculture are virtually indistinguishable. During the last 5 years, U.S. agriculture exports are up by one-third. There is no other sector of the economy where the link between trade and today's prosperity is clearer than in agriculture.

The contributions of agricultural exports to the U.S. economy are impressive and bear repeating: near-record farm exports of just over \$57 billion in 1997 and a positive trade balance of \$21 billion, among the largest of any economic sector. America's farmers and ranchers are twice as reliant on foreign trade as the U.S. economy as a whole, with exports accounting for an estimated 30 percent of gross cash receipts, and is expected to reach 35 percent in the near future.

The future economic well-being of America is tied to our competitiveness in an expanding world. The importance of trade to the future of America is emphasized under the 1996 farm bill which shifts the focus to producers from domestic farm programs. Farm policy gradually reduces domestic support and increases the importance of maintaining open markets.

One of the underlying premises of the current farm policy was that aggressive pursuit of growing export markets was critical as a part of the strategy to reduce dependence on traditional subsidy-based farm programs. It is essential that Congress pass fast-track negotiation authority, renew Most Favored Nation status, and increase agricultural export assistance and promotion as a process and foundation for this new farm policy.

The weak link in our agricultural chain is not this Nation's ability to produce, but to be competitive. The weak link is our inability to destroy U.S. agriculture's productivity and maintain it as a reliable supplier with selected markets.

More than 20 years ago, U.S. farm exports were in an enviable position. In the early 1970's, when domestic farmland prices were on the rise, U.S. exports were expanded. However, the U.S. embargo on grain exports to the Soviet Union in 1980 caused irreparable damage to family farms all across the country and our Nation's competitiveness in the world market. The result of those misguided foreign policy decisions, lost U.S. grain sales, lost U.S. markets, and lost jobs overseas.

American agriculture cannot be used as a political foreign policy football. That's why Farm Export Promotion H.R. 3654. This legislation would require the view and approval of both Houses of Congress before imposing an agriculture-specific embargo. This legislation provides a vital and necessary balance system. The bill does not impose cross-sector embargoes, only those on agriculture. This was the policy of the 1980's when the Exports Administration Act was passed. However, that act has now expired.

American agriculture and the U.S. government must send a strong message to our many customers. The message is that U.S. farmers and ranchers are a reliable supplier of quality and quantity. The passage of this legislation will send that message. U.S. agriculture will be a reliable supplier of food and fiber to the world.

Mr. Chairman, you may recall, when President Reagan constructed a baseball diamond in his country, he said "if you build it, they will come." Regarding agriculture, grow it and are reliable and are competitive. The result—U.S. farmers, ranchers, food and fiber.

rural communities and our Nation's economy will profit, grow, and prosper.

Again, let me relay Farmland's strong support for H.R. 3654, your efforts and those of this subcommittee. Thank you for the opportunity to testify here today, and I'd be happy to answer questions at the appropriate time.

[The prepared statement of Mr. Shearer appears at the conclusion of the hearing.]

Mr. EWING. Thank you very much.

Mr. Warfield.

STATEMENT OF RONALD R. WARFIELD, PRESIDENT, ILLINOIS FARM BUREAU

Mr. WARFIELD. Thank you. Mr. Chairman and members of the committee, I am Ron Warfield, president of the Illinois Farm Bureau, a central-Illinois farmer in Congressman Ewing's district, and I am here today representing the American Farm Bureau Federation as well as the Illinois Farm Bureau.

Illinois is dependent upon agricultural exports. In 1996, we ranked third among all 50 States with over \$3 billion in agricultural exports. These exports helped boost farm prices, while supporting about 64,000 jobs both on and off the farm. Our top five agricultural exports are feed grains, soybeans, live animals and red meat, wheat and animal feeds.

Farm Bureau strongly opposes all artificial trade constraints such as embargoes or sanctions except in the case of armed conflicts. We believe that opening trading systems around the world and engagement through trade are the most effective means of reaching international economic stability.

Current sanctions are costing U.S. wheat producers up to 50 percent of world markets. To continue to impose sanctions during a time when we are working to secure freer trade through the World Trade Organization and international agreements gives our trading partners very conflicting signals.

According to USDA, the Soviet grain embargo cost the United States about \$2.3 billion in lost U.S. farm exports and U.S. Government compensation to American farmers. When the United States cut off sales of wheat to protest the Soviet invasion of Afghanistan, other suppliers—France, Canada, Australia, and Argentina—stepped in. They expanded their sales to the Soviet Union, ensuring that U.S. sanctions had virtually no economic impact. Russia still appears to restrict purchases of American wheat, fearing the United States may again use food exports as a foreign policy weapon. Embargoes and sanctions open our markets up to our competitors.

America's prosperity is tied to our competitiveness in global markets. Over 12 million working Americans and their families depend upon U.S. exports and access to global markets for their jobs. The United States only accounts for 5 percent of the world's consuming population. We must maintain access to the 95 percent of our customers who are outside of our borders. Sanctions and embargoes are sanctions against our own people and only serve to disrupt the marketplace on which we depend.

The Department of State has identified 78 countries that could be responsible for actions that some would find as reasons for imposing unilateral sanctions. Sanctions against just six of these—China, Egypt, Pakistan, Indonesia, Russia, and Saudi Arabia—would cost American farmers and ranchers over \$5 billion in lost sales. We cannot continue to provide American consumers with the most economical food supply in the world or maintain a positive return to the national trade balance if we do not have access to world markets to maintain our economic base.

I must stress that when any type of embargo or sanction is imposed, or threatened, either political or economic, for all sectors or agricultural-specific, agriculture is the first industry to be hit in retaliation. During the Japan-United States automobile parts debate, Japan released its proposed retaliation list in response to the U.S. threat of imposed sanctions on Japan auto-makers. Agricultural products led the list. Just the threat of sanctions puts American agricultural exports at risk.

The American Farm Bureau Federation strongly supports passage of H.R. 3654, the Selective Agricultural Embargoes Act. This legislation must be enacted to prevent useless embargoes that only destroy U.S. markets and create opportunities for our competitors.

I wish to commend you for this legislation. It is only good management that the House and Senate have the power to approve an action that would impose agricultural-specific embargoes on other countries. Agriculture is dependent on access to these markets for our economic well-being. History has proven that embargoes typically keep farmers out of markets.

There are several actions that the administration, working with Congress, can take to protect the economic stability of American agriculture as well as for the Nation. These steps take on added importance to farmers at a time when farm income is expected to drop. They are: Congressional approval for the \$18 billion needed for the International Monetary Fund; provide the administration fast-track trade negotiating authority; and, begin the process of removing current sanctions and preventing future unilateral trade embargoes.

Along with these, we must continue to keep trade with China balanced, and not disrupted, by controlling the level at which tariffs may be imposed. President Clinton has requested Most Favored Nation status for China. China continues to be the biggest potential market in the world. I urge you to work with us to provide MFN for China until China makes the necessary changes to become a member of the World Trade Organization or is granted permanent MFN.

The United States is a leader in world trade, has an unprecedented opportunity to promote its values throughout the world by peaceful engagement through trade. Reaching out through engagement and trade, not withdrawing behind embargoes, is the best way to achieve positive change—not by denying ourselves access to the markets and creating opportunities for our competitors.

Thank you for the opportunity to speak on behalf of American agriculture. We stand ready to work with you on this issue.

[The prepared statement of Mr. Warfield appears at the conclusion of the hearing.]

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Mr. EWING. Thank you very much, Ron.
Mr. Amstutz.

STATEMENT OF DANIEL G. AMSTUTZ, PRESIDENT/CEO, NORTH AMERICAN EXPORT GRAIN ASSOCIATION, INC.

Mr. AMSTUTZ. Thank you, Mr. Chairman. I will deliver an abbreviated version of my statement. I ask that the whole thing be in the record.

Mr. EWING. It will be so entered.

Mr. AMSTUTZ. Mr. Chairman and members of the committee, my name is Dan Amstutz. I am president and CEO of the North American Export Grain Association, known by its acronym as NAEGA. NAEGA is the association of grain and oilseed exporters and interested parties whose purpose is to promote the export of grains and oilseeds from the United States.

We welcome the opportunity to appear before the subcommittee in support of the Selective Agricultural Embargoes Act, H.R. 3654. The act would insulate agriculture from precipitate decisions that could cause unwarranted economic harm. It represents a positive approach to the overall subject of unilateral economic sanctions that are of concern to NAEGA.

Numerous studies have shown that unilateral economic sanctions, as a tool of foreign policy, rarely achieve their foreign policy goals. They almost never help those we want to help, frequently harm the United States more than the target country, and undermine our international competitiveness and economic security.

The record in agriculture has been particularly poor. In the 1970's, because of a perceived shortage, the United States announced an export embargo on soybeans. Countries dependent on imported oilseeds learned how tenuous supply availability was from the United States and they adopted policies that would make them more self-sufficient and less dependent on the United States for supplies. As a result, production in and exports from the southern hemisphere began increasing. The U.S. policy was the stimulant for the development of this new competitive force.

This unfortunate page of history was followed by the embargo on grain exports to the Soviet Union in 1980, in retaliation for the Soviets' invasion of Afghanistan. The embargo did not create grain shortages in the Soviet Union. It generated windfall opportunities for other exporting countries, and was another chapter in the book that says the United States is not a reliable supplier. The United States has employed agricultural embargoes for both economic and foreign policy reasons. Friend and foe alike have been targeted. We may be a reliable source of supply, but it is a matter of record that we have not been reliable suppliers.

A key question is then: What can be done to ameliorate this stigma of supplier unreliability? To this end, NAEGA would support a Congressional resolution that would denounce unilateral economic sanctions as a foreign policy tool. However, it is not likely that Congress would take such action. But H.R. 3654 is a step in this direction, one that would encourage engagement with those countries with whom we have disagreements, rather than the imposition of embargoes. It would give Congress the time and ability to debate the wisdom of an agriculture-specific embargo. The "safety-

valve" protection this affords would not be lost on key foreign buyers as they consider their food security priorities.

Mrs. Clayton and her question about Japan was right on target. Japan's food security concern in part reflects Japan's worries about supply reliability from the United States.

Global demand for farm products is rising. The outlook for growth in grain and oilseed usage is particularly promising. We can easily see annual world trade for wheat and corn each reaching the 150-million-ton level relatively early in the 21st century.

If the United States is deemed a reliable supplier, it is a conservative estimate to say that the U.S. share of this wheat trade will be about 2 billion bushels and our share of corn exports about 3 billion bushels. In each instance that is about twice what our current exports are. And, for wheat, it is nearly equal to current total U.S. production. It is difficult to overstate the importance to American farmers of such growth in world demand. And, in addressing the "unreliable supplier" stigma, H.R. 3654 will help make these estimates a reality.

There is another subject Congress must address if we hope to witness the dramatic growth in farm product markets that can ensue in the new millennium. It is only through trade liberalization that this expansion of the markets of the world will result. Growth in global markets is what multilateral trade rounds are all about. For those desired market developments to occur, we must be able to engage in comprehensive multilateral negotiations.

Congress holds the key to this treasure-chest of opportunity. The key is fast-track trading authority, so that the United States can be engaged and provide leadership in this very important undertaking for the well-being of American agriculture.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Amstutz appears at the conclusion of the hearing.]

Mr. EWING. Thank you to all of the panel.

And now I'm going to go to Mrs. Clayton who has the first question.

Mrs. CLAYTON. Well, it would appear that all the panel are in agreement that this is the right way to go or move in that direction.

Just for clarification, Mr. Shearer, in your testimony that you gave the expansion of the world population, and also, you gave emphasis that our past embargo has, indeed, been a disaster, and that may be true. Can you cite some instance where the current embargoes with commodities of agriculture that you would bring to our attention?

Mr. SHEARER. That would be Iran, Iraq, some of those would be, Mrs. Clayton.

Mrs. CLAYTON. Just agriculture alone?

Mr. SHEARER. I believe in some of those instances it's more than agriculture.

Mrs. CLAYTON. It's not—

Mr. SHEARER. Not specifically agriculture.

Mrs. CLAYTON. As I understand the legislation as it is designed, it is to where our culture is singled-out.

Mr. SHEARER. That is correct.

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Mrs. CLAYTON. This legislation would make provision.

Mr. SHEARER. That is correct. This legislation follows somewhat, Mrs. Clayton, what was the policy of the United States back in the late 1980's that I referred to.

What had happened is, if you go back, especially to the 1970's and 1980 that all of us referred to, there were a number of agriculture-specific embargoes or sanctions that took place. I think Mr. Amstutz talked about the U.S. soybean embargo in 1973. There was export restrictions in 1974 on agriculture moratorium on sales of grain to the Soviet Union in 1975, and then, the major grain embargo of 1980. So, agriculture, during that time was singled-out.

What Congress did in 1985, when reauthorizing the Export Administration Act, did as much what Congressman Ewing's legislation would do. What it said at that time was that it would prohibit the President from imposing export controls on any agriculture commodity for more than 60 days unless Congress enacted a joint resolution of approval for authorizing the action. The provision did not apply to agricultural controls if they are part of the across-the-board ban of those things.

The problem is that we have not reauthorized the Export Administration Act. And so, I think it's very important, I think what we're saying is that it's important that we restate that policy as the United States for three reasons: one, that we send the message loud and clear again that the United States is a reliable supplier; two, that we send the message to the American farmer that they will not be singled-out to bear the brunt of foreign policy decisions that they were in the 1970's and 1980's; and three, it's a means of policy for future administrations.

Mrs. CLAYTON. Thank you.

Mr. Warfield, you cited several countries you thought that were of concern. Were you citing those because there are agricultural possibility of embargo now or there are existing?

Mr. WARFIELD. Yes. Some of those are existing but, also, the possibility exists and we are pointing out the magnitude of the impact it could have, if you go down the list of potential reasons, that you could give potential reasons why sanctions could be placed against them and select at how dramatic the impact could be on just those selected countries.

Mrs. CLAYTON. This is your basket of countries that are on the edge, as Representative Ewing said, or not in the norm of international relationships—

Mr. WARFIELD. For one reason or another.

Mrs. CLAYTON. So as a potential of embargoes of agriculture, commodities are it.

I think that's all the questions I have. Again, thank you all for your testimony.

Mr. EWING. We have been joined by the chairman of our committee, Mr. Goodlatte, and so I'm going to turn to him now. And I thank him for holding the hearing on this piece of legislation and for allowing Mrs. Clayton and I to proceed.

Mr. GOODLATTE. I want to apologize for not being able to get here sooner, but I know this has been capably handled and I think you ought to continue to capably handle it. And I do have a statement

that I would like to submit for the record and I will turn the proceedings back over to you.

Mr. EWING. Thank you, and if I'm still in the chair, it will be so entered into the record.

To all of you on the panel we heard testimony about certain protections in the law today that might apply in the case of selective agricultural embargoes. Would you care to express an opinion as to how much protection and is it adequate protection currently in the law?

Mr. AMSTUTZ. I think all of us will probably say the same thing in a different way. I believe you asked the previous witness, Mr. Chairman, about previous studies on costs of embargoes, and I would suggest that none of us really knows the cost. I don't deny that there have been studies undertaken and numbers given but none of us, I think, knows the cost because there is something cumulative about this. And the key is not only business lost today because of an embargo, but business lost in succeeding years because of the effect of that action on this question of supply reliability.

There is no question that the soybean embargo in the 1970's created foreign investment in Brazil, for instance, for soybeans, and some of that investment money came from Japan, an enormously important buyer of American farm products. And since that time, that capability of Brazil to produce and export soybeans to Japan and to Europe and to other markets around the world has grown and it's been nurtured by this stigma of supplier reliability.

So the cost, I would suggest to you, is enormous. And actions that the Congress would take such as this particular bill, as Scott Shearer has said better than I can, it directly addresses that question and directly addresses it perhaps, more emotionally than factually. But the emotion is part of what makes the human animal tick.

Mr. EWING. I think you made the point that those markets have not readily come back to American once the embargo is over.

Mr. AMSTUTZ. I don't like to mention specific countries, but no country that is a major importer of American farm products, I would suggest to you, Mr. Chairman, has an ability to differentiate between what we might consider within the norm or without the norm. They would say rather, that if the United States today imposes an embargo on farm products to country Y that there is no reason that the United States couldn't impose an embargo on country A tomorrow. And country A may be one of our very good customers.

Therein lies the root of the supply reliability question. We can say everybody should know that there is a difference between Iran and Japan from the standpoint of U.S. policy and U.S. relationships. But when it comes down to this question of food security, and I would guess that no question is more important to any country of the world, I don't think those countries make that differentiation. They may say as long as that kind of policy exists, as long as it can be done by edict, then they're at-risk and they are going to make sure they have other sources of supply to supplement or complement the source of supply from the United States.

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Mr. EWING. To you, Scott, or to Mr. Warfield, the question was, do you believe that the statutory provisions are adequate today? I'll give you both a chance to answer that.

Mr. SHEARER. There were two other pieces of legislation that was passed in the 1980's besides what was cited by Mr. Hatamiya. The 1981 farm bill, if I'm correct—maybe Mr. Amstutz could help me here—said if there was an agriculture embargo, that the commodity price supports would go to the greater parity, just trying to say it would be expensive but that is no longer on the books.

But in 1982 we enacted contract sanctity, that if you had a contract with a country and it would be delivered, I believe, within 270 days, then that contract was still good because prior to that those sales would have ended it. So that one is still on the book. But what was cited by Mr. Hatamiya, those are very limited and they do not cover, as Mrs. Clayton said, all the areas that need to be.

And so, it is important that this message be sent around the world, that we are a reliable supplier. Even with the passage in 1985, that provision in the Export Administration Act, there were still some within the United States calling for agricultural embargoes, even with that. And if it hadn't been for that statute on the books at that time, we would have been in a terrible situation. And that statute was there to show that our customers and our consumers and the American farmer, we would be a reliable supplier.

Also, it would force an administration to come and consult with Congress and with the agriculture community before any effort would be taken. So it's a very important in that. I just want to re-emphasize what Mr. Amstutz said. We cannot put a cost on this of total. There have been estimates of that.

But it was the loss of those sales at that time, especially in 1980, that it was a loss of future sales. And what happened is we lost the sales, the United States did. Our competitors went into there and took those over. We put some countries in to production agriculture to be—that ended up being some of our competitors, and as Mrs. Clayton said earlier, it put a number of countries to make them more self-sufficient because they knew we could not be depended upon to be a reliable supplier.

So this establishes and sends that clear message that the United States will not use or agriculture will not have the effects and bear the brunt of foreign policy decisions.

Mr. WARFIELD. The simple answer is, no, that there is not the protection under existing that gives us the satisfaction that embargoes would now be in place. This sends a very clear signal—and Scott can confirm—that even during times when this legislation was impacted, was in effect, he was contacted by members of the farm community who said, we don't even trust with that legislation in effect.

And so, we need to send a very clear signal that this is a direction of policy that we're going to take and existing legislation does not do that.

Mr. EWING. Do any of you know of any embargo that's ever been put in place by any other supplying country? Has the European economic community? Has Brazil or any other country that sends a lot of agriculture products overseas?

Mr. AMSTUTZ. You mean as a unilateral action? I know of none except that maybe during the Falklands war, Argentina did something, but that would have been during a period of war.

Mr. SHEARER. And Great Britain still honored the sales they had with the Falklands during that time.

Mr. EWING. Well, this bill, of course, does not apply during the time of national emergency or war.

Mr. Shearer, you talked several times about the Export Administration Act and the provision that was in there. I don't know if you made clear for the record that the provision that was very similar to what this bill covers was kind of—its demise was kind of the result of the lack of reauthorization of that legislation and not because of those provisions.

Mr. SHEARER. That is correct.

Mr. EWING. There was some mention about the days needed, I think, Mr. Warfield, to carry out a contract. In the future somebody might say that 170 days is a long time. Could you enlighten us a little more on why that amount of time—

Mr. WARFIELD. In order to—

Mr. EWING. Carry out a contract.

Mr. WARFIELD. That is already in place. Well, obviously, a lot of these contracts are made over long periods of time. And then you get one that's in place; you obviously need that amount of time just as a normal course of business to take care of that. And I think probably Mr. Amstutz could elaborate on that even more from first-hand knowledge.

Mr. AMSTUTZ. In large part, it depends on what the shipment position is. So, an American exporter can sell today cargos of corn and soybeans or wheat for delivery a year from now.

Mr. EWING. Well, the answer, then, is that those contracts are made months ahead of time.

Mr. WARFIELD. Months ahead of time.

Mr. EWING. Many times before the commodities even grow.

Mr. WARFIELD. That's right.

Mr. EWING. Mrs. Clayton.

Mrs. CLAYTON. I did want to just clarify, anyone else may know this but, Mr. Shearer, would you say if the Export Administration Act had been reauthorized, is this bill parallel in all respects to that? Or do we still need to, in your mind, to do this and do that?

Mr. SHEARER. We still need, both of them would be fine. I think we're going at different statutes. There are a couple of differences between what was the legislation in the Export Administration Act and this. I believe that what I said was in the Export Administration Act of 1985. It was 60 days that the Congress had to act. I think in this legislation it's 100 calendar days, that way so if Congress is in recess and those things, it still gives Congress time to act upon this. That in the 1985 act, Congress had to pass a resolution of approval of the provision.

I believe in this act there's two sections. One, Congress could either do a resolution approving the President's action or a resolution of disapproval—whichever direction that the Congress wanted to take. I think those are the two basic differences.

But I think it's important that we proceed with this legislation.

Mr. EWING. Mr. Goodlatte.

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Mr. GOODLATTE. I don't have any questions, Mr. Chairman. Thank you.

Mr. EWING. In closing, I would just make the observation that the authority that any administration might be giving back to Congress or Congress might be taking back is minimal. It is symbolic more than effective restriction because the President would have to sign any legislative enactment that the Congress might pass to make it effective. If he failed to pass it, of course, it would take a two-thirds vote to override the veto.

But I think it really does require the administration to consult with the Congress, to have the Congress and the people to be a part of that decisionmaking and not have it something that can be done quickly and lightly and maybe worry about the consequences down the road.

Are there any other comments from our panel?

[No response.]

If not, I again thank you for coming and for your participation and for your support.

With the unanimous consent of the committee, I will submit for the record a letter from the Idaho delegation to Secretary of State Madeline Albright on behalf of Mrs. Chenoweth. The record of today's hearing will stay open for 10 days to receive additional material and supplemental written responses from witnesses to any questions posed by a member of the panel. Without objection, that is so ordered.

This hearing of the Subcommittee on Department Operations, Nutrition, and Foreign Agriculture is adjourned.

[Whereupon, at 3:10 p.m., the subcommittee adjourned subject to the call of the Chair.]

[Material submitted for inclusion in the record follows:]

STATEMENT OF LON HATAMIYA

Mr. Chairman, members of the subcommittee, I am pleased to come before you today to discuss H.R. 3654, the Selective Agricultural Embargoes Act of 1998.

While we continue to review the specifics of the legislation, the Clinton administration supports the goals of sanctions reform legislation that encourages sanctions policy-making be conducted in a deliberative manner, taking into account all considerations. In the case of agriculture, there are already existing provisions of law that address embargoes affecting agricultural exports.

For example, the 1996 farm bill requires the Secretary, in instances where the President or any other member of the executive branch unilaterally suspends exports for national security or foreign policy reasons, to compensate producers of affected agricultural commodities and to promote exports of those products to developing countries. In addition, section 208 of the Agriculture Trade Suspension Adjustment Act of 1980 provides that if an export embargo of an agricultural commodity results in a surplus, the Secretary is authorized to establish a gasohol feedstock reserve or a food security reserve or both.

The U.S. Department of Agriculture supports the intent of legislation such as H.R. 3654, which recognizes the particular vulnerability of agricultural commodities when sanctions are imposed. We agree with the premise of H.R. 3654 that it would generally be inappropriate for agricultural commodities to be singled out as the subject of an embargo.

Although the administration is still reviewing the bill, and we will provide the committee with the administration's position on the bill as soon as possible, we do have a concern with section 3. This provision would impose an additional fiscal burden on the Department by requiring the collection, assembly, and publication of export sales data on plant nutrient materials on a weekly basis. It is difficult to project the number of staff hours required and the associated costs without a description of what is included in "plant nutrient materials." The costs will depend

upon the number of commodities included and the number of active exporters of those products.

Mr. Chairman, that concludes my testimony. I would be happy to answer any questions.

TESTIMONY OF DANIEL G. AMSTUTZ

My name is Daniel G. Amstutz. I am president and chief executive officer of the North American Export Grain Association (NAEGA). NAEGA was established in 1912. It is the association of North American grain and oilseed exporters and interested parties whose purpose is to promote the export of grains and oilseeds from the United States.

We welcome the opportunity to appear before the subcommittee in support of the Selective Agriculture Embargoes Act of 1998 (H.R. 3654). The act would require the approval of both Houses of Congress if the President decides to impose an agriculture-specific embargo on a foreign country. It would thus insulate agriculture from precipitate decisions that could cause unwarranted economic harm. It represents a positive approach to the overall subject of unilateral economic sanctions that are of concern to NAEGA.

There has been an alarming proliferation of unilateral economic sanctions imposed by the U.S. Government to pursue various foreign policy goals. The 1997 Report of the President's Export Council cited 75 countries representing 52 percent of the world's population that have been subject to or threatened by U.S. unilateral economic sanctions, jeopardizing billions in export earnings, hundreds of thousands of American jobs and our ability to provide humanitarian assistance abroad. In the three-year period between 1993 and 1996, the United States imposed unilateral economic sanctions 61 times against 35 countries. In 1996, the United States exported \$93.9 billion in goods to countries now at risk from proposed Federal, state and local sanctions. These exports account for more than 1,456,000 U.S. jobs. Already, job losses in the export sector are estimated at up to 250,000.

Numerous studies have shown that unilateral economic sanctions, as a tool of foreign policy, rarely achieve their foreign policy goals. They almost never help those we want to help, frequently harm the United States more than the target country, and undermine our international competitiveness and economic security. Unilateral economic sanctions have too often been a policy of first choice when other policy alternatives exist.

The record in agriculture has been particularly poor. In the 1970's, because of a perceived shortage, the United States announced an export embargo on soybeans. High prices effectively rationed usage so the embargo was never actually implemented. Nevertheless, countries dependent on imported oilseeds learned how tenuous supply availability was from the United States and they adopted policies that would make them more self-sufficient and less dependent on the U.S. for supplies. As a result, production in and exports from the Southern Hemisphere began increasing. U.S. policy was the stimulant for the development of this new competitive force.

This unfortunate page of history was followed by the embargo on grain exports to the Soviet Union in 1980, in retaliation for the Soviets' invasion of Afghanistan. The embargo did not create grain shortages in the Soviet Union, it generated windfall opportunities for other exporting countries, and was another chapter in the book that says the United States is not a reliable supplier. The United States has employed agriculture embargoes for both economic and foreign policy reasons. Friend and foe alike have been targeted. We may be a reliable source of supply but it is a matter of record that we have not been reliable suppliers.

A key question is then: what can be done to ameliorate this stigma of supplier unreliability? To this end, NAEGA would support a Congressional resolution that would denounce unilateral economic sanctions as a foreign policy tool. It is not likely the Congress would take such action, however. But H.R. 3654 is a step in this direction, one that would encourage engagement with those countries with whom we have disagreements, rather than the imposition of embargoes. It would give Congress the time and ability to debate the wisdom of an agriculture-specific embargo. The "safety-valve" protection this affords would not be lost on key foreign buyers as they consider their food security priorities.

Global demand for farm products is rising. The outlook for growth in grain and oilseed usage is particularly promising. We can easily see annual world trade for wheat and corn each reaching the 150 million ton level relatively early in the 21st century. If the United States is deemed a reliable supplier it is a conservative estimate to say that the U.S. share of this wheat trade will be about 2 billion bushels and our share of corn exports about 3 billion bushels. In each instance that is about

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twice what our current exports are. (And, for wheat, it is nearly equal to current total U.S. production.) It is difficult to overstate the importance to American farmers of such growth in world demand. And, in addressing the "unreliable supplier" stigma, H.R. 3654 will help make these estimates a reality.

There is another subject Congress must address if we hope to witness the dramatic growth in farm product markets that can ensue in the new millennium. This can happen only if more wealth is generated in more countries more rapidly than is currently happening. It is only through trade liberalization that this increase in buying power, this expansion of the markets of the world, will result. Growth in global markets is what multilateral trade rounds are all about. For those desired market developments to occur, we must be able to engage in comprehensive multilateral negotiations. Congress holds the key to this treasure chest of opportunity. The key is fast-track trading authority so that the United States can be engaged and provide leadership in this very important undertaking for the well-being of American agriculture.

STATEMENT OF P. SCOTT SHEARER

Mr. Chairman and members of the subcommittee, I am P. Scott Shearer, director of national relations for Farmland Industries, Inc. Headquartered in Kansas City, MO, Farmland Industries is the largest farmer-owned cooperative in North America and one of the top 200 Fortune 500-listed companies. In 1997, company sales of \$9.1 billion encompassed all 50 States and 80 countries. When including third-party sales of Farmland's venture businesses, total sales exceeded \$11.7 billion. Focused on meeting the needs of its half million farmer-owners in the United States, Canada and Mexico, Farmland is a highly diversified company with major business lines in crop production products, livestock feeds, petroleum, grain processing and marketing, and the processing and marketing of pork and beef products.

I appreciate the opportunity to testify before the Subcommittee on the subject of agriculture trade and in support of H.R. 3654, the Selective Agriculture Embargoes Act of 1998.

Importance of International Trade

Mr. Chairman and members of the Subcommittee, free and open global trade is of vital importance to U.S. food producers, agribusiness and our nation's growing economy. Over the past several decades, the American economy has become increasingly dependent on international trade. In 1950, international trade represented only 8 percent of the U.S. economy. Since then the importance of trade to the U.S. economy has tripled. Since 1992, exports have accounted for more than one-third of U.S. economic growth. By comparison, in 1970 exports accounted for only 5 percent of our GDP; by last year the share had more than doubled to 13 percent.

America's farmers and ranchers produce food and fiber for the world. And the world buys our agricultural products more often and in greater quantity than cars, computer chips, apparel and airplanes. It is important to remember that U.S. exports are growing three times faster than domestic demand for food, and that more than 95 percent of our current and potential consumers live outside our borders.

Importance of Trade to U.S. Agriculture

Trade and U.S. agriculture are virtually indistinguishable. During the last five years, U.S. agriculture exports are up by one-third. There is no other sector of the economy where the link between trade and today's prosperity is clearer than in agriculture. Exports mean farm income, exports mean jobs, and exports mean reduced risk for American agriculture.

The contributions of agricultural exports to the U.S. economy are impressive and bear repeating; near-record farm exports of just over \$57 billion in 1997 and a positive trade balance of \$21 billion, among the largest of any economic sector. Agricultural sales abroad account for nearly 10 percent of total merchandise exports.

America's farmers and ranchers are twice as reliant on foreign trade as the U.S. economy as a whole, with exports accounting for an estimated 30 percent of gross cash receipts and is expected to reach 35 percent in the near future. Exports are critical to nearly every sector of U.S. agriculture. Overall, 1 out of every 3 acres of America's cropland is dedicated to exports.

Population: More Mouths to Feed in the 21st Century

The importance of trade is underscored by America's shrinking share of the world's population. Americans now comprise only 4 percent of the world's population and are experiencing minimal population growth, while many of the countries that we trade with are experiencing significant population growth. To add to this phenomenon, is the growing strength of the middle class. The power of emerging middle classes world-wide, made up of consumers with the ability to shift their consumption

patterns, have become a critical factor driving consumer markets. In India, for example, there will be 115 million new members of the middle class by 2005. In China, probably the fastest growing economy in the world, there will be 196 million more members of the middle class by 2005. These new middle class consumers around the world represent a booming potential market for our farm products.

With the world's population growing by about 2 percent annually, there are 80 million more mouths to feed each year. From 5.8 billion people today, the global population is projected to expand by nearly 50 percent to 8.5 billion in the year 2030. Demand for food is expected to more than double by mid-century. Most of this increase in population and demand will take place in countries in Asia and Africa, which are already deficient in food production. It will be up to the United States and other food exporting countries to respond to the challenge of feeding more and more of this planet's human inhabitants.

One report estimates that the world's farmers will be asked to produce as much food in the next 40 years as they have in the entire 14,000 year history of agriculture production. World population is increasing, world diets are improving requiring more meat and more grain to feed livestock. Efficient and productive American farmers will meet the challenge of feeding this tired and hungry world-as they have done in the past, as they do today and as they no doubt will be called upon to do in years and decades to come.

Trade in the Post Farm Bill Era

The future economic well being of American agriculture is closely tied to our competitiveness in an expanding global market. The importance of trade to the future of American agriculture has been emphasized under the 1996 farm bill with the reduction in support to producers from domestic farm programs.

As the subcommittee is aware, the new Freedom to Farm policy gradually reduces domestic farm programs and increases the importance of maintaining continued access to foreign markets. One of the underlying premises of the 1996 Freedom to Farm bill was that aggressive pursuit of growing export markets would be critical as a part of the strategy to replace the safety net of traditional subsidy based farm programs. Therefore, it is imperative that Congress pass fast track negotiating authority, IMF legislation, renew most favored nation (MFN) status for China, and support agricultural export assistance and promotion programs for the success and foundation for this new farm policy.

Agriculture Trade and Jobs

United States agriculture is our nation's largest single industry, accounting for nearly one out of every six jobs and approximately 16 percent of GDP. Between 1992 and 1996, exports accounted for 1 in 6 new jobs. Just over 12 million jobs now depend on U.S. exports, and jobs supported by exports pay an average of 13 percent to 16 percent higher than the U.S. national average. Trade is essential to our domestic prosperity and to our long-term economic security.

The United States exported more than \$57 billion worth of agricultural products in 1997. In recent years U.S. agricultural exports continually have exceeded \$55 million per year, leading to agricultural trade surpluses over \$25 billion, strengthening farm income, generating billions more in related economic activity, and providing jobs for over one million Americans. Every billion dollars in additional agricultural exports helps create as many as 17,000 new jobs. Exports, which account for as much as one-third domestic production, are key to our nation's overall economic health and future growth.

Past U.S. Embargoes

The weak link in our agriculture production/world trade food chain is not this nation's ability to produce and not our ability to be competitive in world markets. The weak link is our own government's potential to destroy U.S. agriculture's productivity, competitiveness and reputation as a reliable supplier with selective agricultural embargoes.

More than 20 years ago U.S. farmers were in nearly the same enviable position. In the early 1970's overseas grain sales were increasing, domestic farmland prices were on the rise and while the national economy was in a slight recession the farm economy was expanding. Then as now, U.S. farmers were looked on and called upon to be the breadbasket to the world.

However, the U.S. embargoes of the 1970's and the U.S. grain embargo to the Soviet Union in 1980 resulted in irreparable damage to family farms all across the country and crippled our nation's competitiveness in the world's agricultural markets. The result of those misguided foreign policy adventures was lost U.S. grain sales, lost U.S. markets, and the creation of competitors overseas. Furthermore, these embargoes contributed to the 1981 and 1985 farm bills—10 years of expensive and restrictive farm policy that cost billions of dollars and cost farmers lost grain markets and market share.

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Support H.R. 3654, The Selective Agricultural Embargoes Act

U.S. agriculture can no longer be used as a political tool and foreign policy football. That's why Farmland Industries, and many of us in agriculture production and agribusiness strongly support H.R. 3654, the Selective Agriculture Embargoes Act of 1998.

Mr. Chairman, H.R. 3654 would require Congressional review and approval of both Houses of Congress if the President imposes an agricultural specific embargo on a foreign country. This legislation provides a vital and necessary foreign policy checks and balance system. The bill does not impede the President's authority to impose cross-sector embargoes, only those attempts to single out agriculture. This was the policy of the United States in the late 1980's when the Export Administration Act was reauthorized. However, the act has now expired.

American agriculture and the U.S. Government must send a strong message to our many customers and our competitors. Our message is that U.S. farmers, ranchers, and agribusiness are a consistent and reliable supplier of quality and quantity agricultural products. Passage of H.R. 3654 will send that strong message and U.S. agriculture will once again be considered a reliable supplier of food and fiber around the world.

Mr. Chairman, you may recall when an Iowa corn farmer constructed a baseball diamond in his cornfield it coined the phrase "if you build it, they will come." Regarding agricultural trade—if we grow it and are reliable and competitive, they will buy it. The result—U.S. farmers, ranchers, food producers, agribusiness, our rural communities and our nation's economy will profit, grow and prosper.

To conclude, again let me relay Farmland's strong support for H.R. 3654, your efforts and those of this subcommittee. And again, let me thank you for the opportunity to testify here today. I'd be happy to answer any questions you may have at the appropriate time.

STATEMENT OF RONALD R. WARFIELD

Mr. Chairman and members of the committee, I am Ron Warfield, president of the Illinois Farm Bureau. I am here today representing the American Farm Bureau Federation as well as the Illinois Farm Bureau Federation. The American Farm Bureau represents 4.8 million member families in the United States and Puerto Rico. Our members produce every type of farm commodity grown in America and depend on sales to the export market for over one-third of our production.

Agriculture, including the wide variety of industries involved in farm inputs and outputs, constitutes one of the largest sectors of the U.S. economy. In 1997, the food and fiber industries, which include producers of farm equipment and suppliers, processors, transporters, manufacturers, retailers and the financial and insurance service industries that serve them comprised 16–17 percent of the gross national product.

The agriculture industry is the Nation's largest direct and indirect employer, and for the past several years agricultural commodities have provided the only positive return to our balance of trade. These accomplishments can only be sustained if our international markets remain open. It has been well documented that embargoes are sanctions against U.S. markets and destroy our reputation as reliable suppliers. Our competitors win when we impose embargoes.

Illinois is dependent upon agricultural exports. In 1996 we ranked third among all 50 states with over \$1 billion in agricultural exports. These exports helped boost farm prices, while supporting about 84,000 jobs both on and off the farm. Our top five agricultural exports are feed grains, soybeans, live animals and red meat, wheat and animal feeds.

Farm Bureau strongly opposes all artificial trade constraints such as embargoes or sanctions except in the case of armed conflicts. We believe that opening trading systems around the world and engagement through trade are the most effective means of reaching international economic stability.

American agriculture, as well as other export dependent industries, are in a critical economic situation largely because of our inability to open new markets. This problem can best be addressed through passage of fast track trade negotiating authority and International Monetary Fund (IMF) funding to avert further fiscal crises in Asia which threaten our export markets there.

Asia represented over 40 percent of agriculture's export market in 1997. Until this crisis is turned around and these economies are again stabilized, with returned buying power, agriculture is poised to lose from two to five percent of its export sales per year. This amount could then reach as high as \$3 billion a year. It is unfortunate that the administration and Congress have not taken the necessary steps to

pass fast track legislation and provide the IMF the needed resources to help stabilize world markets.

Former President Ronald Reagan said, "The freer the flow of world trade, the stronger the tides of human progress and peace among nations." These same sentiments were spoken by General Colin Powell just last year when he addressed over 8,000 Farm Bureau members.

In the last decade, democracy has ascended amidst economic liberation in Taiwan, Korea, Poland, Hungary, Slovenia, the Czech Republic, Chile, Argentina, Bolivia, Peru, Brazil, Uruguay and Ecuador. The opportunities for peaceful American engagement and influence in the world are greater than ever before and must be guarded from embargoes and sanctions that destroy these opportunities and destroy our credit worthiness as suppliers of food and fiber.

Let me review some Farm Bureau policies that express the deep commitment of our members to opening and keeping open markets—not closing doors as happens when embargoes are enacted:

We believe free trade should not be tied to social reforms or labor or environmental standards of other countries.

Farm Bureau believes all agricultural products should be exempt from all embargoes except in the case of armed conflict.

Should a trade embargo or restrictions be declared under such circumstances, the embargo should apply to all trade, technology and exchanges. An embargo should not be declared without the consent of Congress.

The threat of embargoes or other restrictions adversely affects markets and is an inappropriate tool in the implementation of foreign policy. If an embargo or sanctions are enacted, farmers should be compensated by direct payments for any resulting loss.

All export contracts calling for delivery of agricultural commodities or products within nine months of date of sale should never be interfered with by the U.S. Government, except following an embargo consented to by Congress. This sanctity of contracts is essential to maintain the United States as a reliable supplier.

Farm Bureau is dedicated to more open trading systems around the world—not more embargoes or trade sanctions.

For 50 years, the United States has followed a reasonably consistent policy of engagement with the world to promote peace and freedom. Recently, the United States has begun to depart from the long-standing preference for engagement. In just four years, the United States has imposed 61 unilateral economic sanctions on 35 countries, according to the U.S. Alliance for Effective Engagement. These countries, from which the United States is isolating itself, contain about 40 percent of the world's population. Yearly votes on Most Favored Nation (MFN) for China have also tended to keep this gigantic market in limbo.

Professor Donald Losman of the U.S. Industrial College of the Armed Forces has stated, "Comprehensive economic sanctions almost always fail to achieve their political goals, while at the same time opening a Pandora's box of economic and international relations headaches. They tend to strengthen offending regimes and policies. Pain without gain is probably the best description."

The Institute for International Economics estimates that unilateral economic sanctions cost the United States \$15-19 billion in lost exports in 1995. This translates into the loss of more than 200,000 American export-related jobs. A 1994 Council on Competitiveness report found that eight unilateral sanctions episodes cost the U.S. economy \$6 billion in annual sales and 120,000 export-related jobs. Current sanctions are costing U.S. wheat producers up to 50 percent of world markets. To continue to impose sanctions during a time when we are working to secure freer trade through the World Trade Organization and international agreements gives our trading partners very conflicting signals.

According to USDA, the Soviet grain embargo cost the United States about \$2.3 billion in lost U.S. farm exports and U.S. Government compensation to American farmers. When the United States cut off sales of wheat to protest the Soviet invasion of Afghanistan, other suppliers—France, Canada, Australia and Argentina—stepped in. They expanded their sales to the Soviet Union, ensuring that U.S. sanctions had virtually no economic impact. Russia still appears to restrict purchases of American wheat, fearing the United States may again use food exports as a foreign policy weapon. Embargoes and sanctions open our markets up to our competitors.

America's prosperity is tied to our competitiveness in global markets. Over 12 million working Americans and their families depend upon U.S. exports and access to global markets for their jobs. The United States only accounts for five percent of the world's consuming population. We must maintain access to the 95 percent of our customers who are outside of our borders. Sanctions and embargoes are sanctions

against our own people and only serve to disrupt the marketplace on which we depend.

The Department of State has identified 78 countries that could be responsible for actions that some would find as reasons for imposing unilateral sanctions. Sanctions against just six of these, China, Egypt, Pakistan, Indonesia, Russia, and Saudi Arabia would cost American farmers and ranchers over \$5 billion in lost sales. We cannot continue to provide American consumers with the most economical food supply in the world or maintain a positive return to the national trade balance if we do not have access to world markets to maintain our economic base.

I must stress that when any type of embargo or sanction is imposed, or threatened, either political or economic, for all sectors or agricultural specific, agriculture is the first industry to be hit in retaliation. During the Japan-United States automobile parts debate, Japan released its proposed retaliation list in response to the U.S. threat of imposed sanctions on Japan auto makers. Agricultural products led the list. Just the threat of sanctions puts American agricultural exports at risk.

The American Farm Bureau Federation strongly supports passage of H.R. 3654, the Selective Agricultural Embargoes Act. This legislation must be enacted to prevent useless embargoes that only destroy U.S. markets and create opportunities for our competitors.

I wish to commend you for this legislation. It is only good management that the House and Senate have the power to approve an action that would impose agricultural specific embargoes on other countries. Agriculture is dependent on access to these markets for our economic well being. History has proven that embargoes typically keep farmers out of markets.

There are several actions that the administration, working with Congress, can take to protect the economic stability of American agriculture as well as for the nation. They are: Congressional approval for the \$18 billion needed for the International Monetary Fund; provide the administration fast track trade negotiating authority; and begin the process of removing current sanctions and preventing future unilateral trade embargoes.

Along with these we must continue to keep trade with China balanced and not disrupted by controlling the level at which tariffs may be imposed. President Clinton has requested Most Favored Nation (MFN) trading status for China. China continues to be the biggest potential market in the world. I urge you to work with us to provide MFN for China until China makes the necessary changes to become a member of the World Trade Organization or is granted permanent MFN. The American Farm Bureau Federation is committed to working for passage of these actions.

The United States, as the leader in world trade, has an unprecedented opportunity to promote its values throughout the world by peaceful engagement through trade. Reaching out through engagement and trade, not withdrawing behind embargoes, is the best way to achieve positive change—not by denying ourselves access to the markets and creating opportunities for our competitors.

Thank you for the opportunity to speak on behalf of American agriculture. We stand ready to work with you on this issue.

LETTER OF THE IDAHO DELEGATION TO SECRETARY ALBRIGHT

May 29, 1998

HON. MADELINE ALBRIGHT

Secretary

U.S. Department of State

2201 C Street, NW

Washington, DC 20520

DEAR MADAME SECRETARY:

We write with deep concern over the effect sanctions might have on trade in U.S. agricultural products. We were pleased with the administration's decision not to include agricultural programs in its recent action against India and call upon you to make the same allowances in any sanction against Pakistan. We stand ready to oppose any sanction before Congress should it include trade in agricultural products.

Clearly put, the use of food as a weapon is wrong. Starving populations into submission is poor foreign policy. And requiring farmers to pay the price for our foreign policy objectives is intolerable. We implore you to do all you can to exempt agricultural trade from any future sanction issued by the administration.

In addition, we believe the time has come to reexamine existing sanctions—many of which include trade in agricultural products. The same standard applied to India and Pakistan should be used when dealing with other nations throughout the world.

Clearly any sanction initiated or supported by the United States should involve issues critical to our national interest, have clear objectives, have a high probability of effectiveness, be applied with prudence and objectivity, and anticipate the potential costs and benefits to U.S. producers. It would be wrong to use sanctions where sanctions against trade in agricultural products would be warranted.

We look forward to working with you on this important issue.

(Signed)

LARRY E. CRAIG
United States Senator
DIRK KEMPTHORNE
United States Senator

MIKE CRAPO
Member of Congress
HELEN CHENOWETH
Member of Congress

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